



Cannabis Business Tax

November 8, 2022 Election

In November, voters will be able to vote on a general tax measure that would allow the County to tax cannabis businesses that are in the unincorporated areas of LA County.

Currently, the Office of Cannabis Management (OCM) in LA County's Department of Consumer and Business Affairs is developing an equitable commercial cannabis program that includes permitting and resources for eligible applicants, with a proposed launch in late 2023.

The program will initially launch with 25 storefront retail, 25 delivery, 10 indoor/mixed light cultivation, 10 manufacturing, 10 distribution and 10 testing permits. By starting with a relatively low number of initial licenses with priority for Equity and Equity-building applicants, County will be able to lead the program with equity, monitor and assess community impacts, and build appropriate infrastructure to support expansion in the following years.



What are the proposed tax rates for cannabis businesses?

Starting rates are low to better support the viability of the legal cannabis businesses and help them compete against the illicit market. Cultivation taxes will vary based on square footage cultivation area and type of lighting. The proposed cannabis tax rates will be based on gross receipts and start at the rates listed below.

Business Activity	Starting Rate	Maximum Rate
Retail /Delivery	4%	6%
Manufacturing	3%	4%
Distribution	3%	3%
Testing Lab	1%	1%

Adjustable Tax Rates:

Board may decrease or increase the tax rates within the maximum approved by the voters after

JULY 1, 2026

Cultivation Business	Starting Rate	Maximum Rate
Artificial lighting	\$7 sq. ft.	\$10 sq. ft.
Mixed Lighting*	\$4 sq. ft.	\$7 sq. ft.
Nursery	\$2 sq. ft.	\$2 sq. ft.

*Artificial & Natural Light
(based on sq. ft. of canopy space)

If approved by voters, Cannabis Businesses in the unincorporated LA County would be taxed at the following rates starting July 2023.

\$10,360,000

Projected Annual Revenue

Funds will go into the County General Fund to support a broad array of County Services that impact all County residents.

What is the purpose of the Commercial Cannabis Business Tax?

The proposed cannabis rates and structure are designed to

- ✓ Promote viability of the legal market for small cannabis businesses in the unincorporated LA County with low tax rates.
- ✓ Address the inequities in access to resources by raising revenue for key programming and services

Where are the unincorporated areas of the County located?

There are 88 incorporated cities within Los Angeles County. The areas that are not part of these cities are unincorporated. You can see a map of the unincorporated areas here:

<https://lacounty.gov/government/about-la-county/maps-and-geography/>

Who can vote on this measure?

This is a countywide measure, and all Los Angeles County registered voters can vote. If you are not a registered voter, you must be registered to vote at least 15 days prior to an election in order to vote in that election. You can register to vote at registertovote.ca.gov.

Who will have to pay the tax?

Cannabis businesses located in the unincorporated areas of Los Angeles County will be subject to the proposed tax.

How much revenue will the tax generate and what will it pay for?

The projected annual revenue under the current tax rates is \$10,360,000. If the tax measure is approved, all revenue generated from the tax will be deposited in the County General Fund. Through the budget process, the Board of Supervisors may direct cannabis tax revenue to support key priorities, such as community benefits, reinvestment into neighborhoods that site these businesses, consumer protection, and resources for equity-led cannabis programs.

I do not use cannabis. How will this affect me?

As the fund from the general tax goes to County's General Fund, you may benefit from tax-funded County services that impact many residents of Los Angeles County. Additionally, the tax rates are designed to be low to help small cannabis businesses better compete with the unpermitted businesses. This could help shift demand and better support a regulated, permitted, and responsible cannabis market.

Can cannabis businesses now operate legally in unincorporated Los Angeles County if this measure passes?

No, all cannabis business activity will remain prohibited in the unincorporated areas of the County until the cannabis business permitting program is launched in 2023. This measure would make it legal for the County to tax the revenues of cannabis businesses operating in these areas.

Once the permitting program launches, a cannabis business operator will need to obtain all the required permits and licenses from the appropriate state and local regulatory agencies including a cannabis business permit issued by the Los Angeles County Office of Cannabis Management.

